

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: FRB PROPOSALS ON REGULATION OF FOREIGN BANKS IN
U.S.

REF: STATE 35382

*1. ON MARCH 7 THERON, DEPUTY GOVERNOR OF BANK OF FRANCE
(EXTERNAL AFFAIRS) GAVE US FOLLOWING REACTIONS TO
FEDERAL RESERVE BILL THAT WOULD REGULATE ALL FOREIGN
BANKS OPERATING IN U.S.:

A. SHORTLY AFTER TEXT OF BILL AND COMMENTARY THEREON
WERE RECEIVED FROM FRB LAST DECEMBER, BANK OF FRANCE
CONVENED MEETING OF INTERESTED FRENCH COMMERCIAL BANKS.
THERE WAS WIDESPREAD SATISFACTION THAT GRANDFATHER
CLAUSE HAD NOW BEEN LIBERALIZED TO PERMIT
PERMANENT GRANDFATHERING OF EXISTING MULTI-STATE
BANKING OPERATIONS AND NON-BANKING INTERESTS OF
FOREIGN BANKS. THERON SAID FRENCH MONETARY
AUTHORITIES SUPPORTED VIEWS OF FRENCH COMMERCIAL
BANKS ON IMPORTANCE OF PROTECTION FOR THEIR EXISTING
OPERATIONS IN U.S.

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B. AUTHORITIES CONTINUE TO HAVE RESERVATIONS ABOUT

PROPOSED REQUIREMENT OF FR MEMBERSHIP FOR ALL FOREIGN BANKS OPERATING IN U.S. WITH WORLDWIDE ASSETS OF OVER \$500 MILLION, SO LONG AS SAME REQUIREMENT IS NOT LEVIED ON U.S. BANKS. DRAWING ON STATE A-9082 OF DECEMBER 11, WE POINTED OUT THAT \$500 MILLION THRESHHOLD ESTABLISHED ROUGH DE FACTO EQUALITY OF TREATMENT BETWEEN FOREIGN BANKS OPERATING IN U.S. AND U.S. BANKS OF COMPARABLE SIZE AND SCOPE. THERON RECOGNIZED VALIDITY OF THIS POINT. NEVERTHELESS, HE SAID, FRENCH AUTHORITIES HAD TO GIVE WEIGHT TO FACT THAT REQUIREMENT FOR FR MEMBERSHIP DID NOT FULLY MEET LEGAL TESTS FOR NATIONAL TREATMENT, WHEN AT LEAST SOME OF THEIR BANKS OPERATING IN U.S. FELT THAT FROM THEIR VIEWPOINT, OBLIGATIONS OF MEMBERSHIP CLEARLY OUTWEIGHED ADVANTAGES. IN REPLY TO OUR SPECIFIC QUESTION, HE STATED THAT THIS WAS A MATTER TO WHICH FRENCH AUTHORITIES ATTACHED MODERATE, AS OPPOSED TO GREAT OR OVERWHELMING, IMPORTANCE.

2. THERON DID NOT RAISE QUESTION OF CONFORMITY OF FR MEMBERSHIP REQUIREMENT WITH U.S.-FRENCH TREATY OF ESTABLISHMENT. HOWEVER, BANK OF FRANCE HAS REFERRED TO THIS ASPECT IN PREVIOUS DISCUSSIONS OF U.S. PROPOSALS ON REGULATION OF FOREIGN BANKS, AND IT MAY WELL SURFACE AGAIN AT SOME POINT.
RUSH

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